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When wealth firms finally admit they need a CTO

By Rob Burgess

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With wealth management firms grappling with the need to adopt AI tools (which may involve complex integrations) while staving off cybersecurity threats and positioning the company for growth, a critical question arises: Who is responsible for the technology?

Is it a dedicated role owned by a trained expert? Or is it just one of many responsibilities someone is tasked with on top of everything else?

The conundrum of when and if to hire a chief technology officer (CTO) is faced by wealth management firms of all sizes.

Brandon Dock, managing director at TGC Search, which sources C-suite executives, said he has seen many wealth management firms quietly wrestle with needing a CTO but not wanting to admit it.

"Most firms that don't have a CTO still have someone handling tech," he said. That could be a partner, a chief operating officer (COO) or a tech-savvy chief financial officer. Or, Dock said, it might be a subject matter expert, IT manager or even a director. "And they might be great at keeping the trains running, but they're not in a position to set real strategy. They're tactical. They're managing vendors, dealing with broken logins and putting out fires. No one's mapping out how tech should drive growth or fend off the next big cyber threat."

The decision to bring on a CTO — or take on the responsibilities
Last month, wealth management platform Savvy Wealth announced it had hired Eric Hurkman as its first CTO. Ritik Malhotra, CEO and founder, said like many fintech startups, Savvy Wealth relied on its founding team to build the initial technology before deciding to bring on a full-time CTO.

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"Without an experienced CTO, scalability challenges present themselves, especially when rapid growth demands a more structured technological approach," he said.

Financial services firm Triad Partners of Lawrence, Kansas, announced last week that it had hired Quin Kilgore as CTO. Co-founder Shawn Sparks said prior to the decision to hire a CTO, a combination of internal team members and outsourced external partners handled the firm's technology.

"As our business grew, it became more clear that having a strategic, tech-driven leader was essential to scaling our operations and staying ahead in the industry," he said.

For smaller outfits, the decision to forgo a dedicated CTO can come down to financial realities.

Charles Kyle Harper, founder of the fee-only Harper Financial Planning in West Columbia, South Carolina, recently started his firm after spending nine years at a large hybrid. As a solo-RIA owner, he said he wears all hats — including CTO.

"Becoming a CTO was arguably the role with the largest learning curve," Harper said. "It was all new to me: cybersecurity, integrations and building a tech stack. In my prior role, that was all provided ... but now I have to solve those puzzles myself."

To get up to speed, he spent hours talking to other advisors and consultants and watching instructional videos.

"Initially, it ate into the time I could provide serving clients, but as a new firm, I just didn't have the dollars available to bring in a professional staff person," he said.

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In smaller firms, tech is often handled by existing leadership out of necessity. Ben Loughery, founder and CEO of Lock Wealth Management in Atlanta, said in many independent wealth firms it usually comes down to the firm owner or the COO instead of a full-time CTO.

"While I don't have formal tech training, I take the role out of necessity," he said. "I suppose if I was running into scaling challenges I would seek out a fractional CTO before committing to a full-time hire."

The benefits of hiring a CTO, even fractionally

Carrie Goetz is a principal at StrategITcom, which offers strategic IT planning as well as fractional CTO services — which allows a single person to serve in that role for multiple companies, thus reducing the cost. Goetz herself serves as a fractional CTO for multiple companies. She said hiring a CTO — whether full-time, part-time or on a contract basis — provides a company with someone who can guide it on setting up systems accurately, early and with its needs in mind.

"Too often people use what their buddy uses, and find that the systems don't grow with them or support their long-term goals and leave the company vulnerable to outside forces," she said. "CTOs are great advocates for correct system use, which helps HR and management set policies."

Dock said the turning point for most firms usually comes when all those

patchwork solutions start to wear thin.

"It's when client onboarding takes weeks longer than it should because legacy systems don't talk to each other," he said. "Or when a near-miss cybersecurity scare wakes everyone up to the fact that there's no real plan beyond hoping the firewall holds. Or when you realize you've got half a dozen software-as-a-service tools, none of which integrate properly, and the only person who understands how they connect is about to retire or quit."

Providing proactive — not reactive — technology leadership
A firm's technology infrastructure needs to grow with the business, and managing it reactively or piecing it together as it expands isn't sustainable, Sparks said. At his firm, there were also integration challenges, he said.

"With more tools and platforms in play as we were scaling, managing seamless data flow and automation became increasingly critical," he said. "We wanted to leverage technology as a differentiator in our business, not a necessity. This required an executive with a long-term vision."

Even if there's a tech director or a handful of subject matter experts at a firm, Dock said that without a CTO, there's still a leadership gap.

"Because when firms get serious about growth — expanding services, acquiring competitors and taking on more complex clients — the tech stops being just a back-office issue," he said. "It becomes a core part of the client experience, the security framework and frankly, the brand. A director may be able to manage today's issues, but they're often not in a position to say, 'Here's where we need to be in five years, and here's how tech will get us there.'"

That's why firms eventually bite the bullet and hire a CTO, said Dock: To give it direction, strategy and real alignment with where the firm is headed.

"A good CTO will modernize the whole tech stack, integrate platforms, get rid of outdated tools and make sure technology isn't holding growth back," he said. "They'll build a security posture that doesn't rely on crossed fingers and luck. And they'll rethink client-facing tech so that the firm isn't stuck offering digital experiences that feel like they belong in a museum."

Malhotra said his firm realized Savvy needed a dedicated leader to help oversee its evolving technological infrastructure.

"Additionally, as we see an increased focus in AI and automation, our CTO will help drive innovation and improve scalability," he said. "As we adopt AI more into our company, data analytics has become increasingly important."

Even when there are solid tech people internally, if no one's sitting at the executive table speaking for tech, firms are "flying blind," said Dock.

"In this industry, where client trust is everything and digital experiences are a big part of that trust, flying blind is a dangerous game," he said. "So when firms ask me, 'Do we really need a CTO?' my answer is usually, 'If you're asking the question, you probably do.' The longer firms delay bringing in real tech leadership, the bigger the mess they'll eventually have to clean up. And trust me, no one wants to be the one explaining that to clients or regulators."